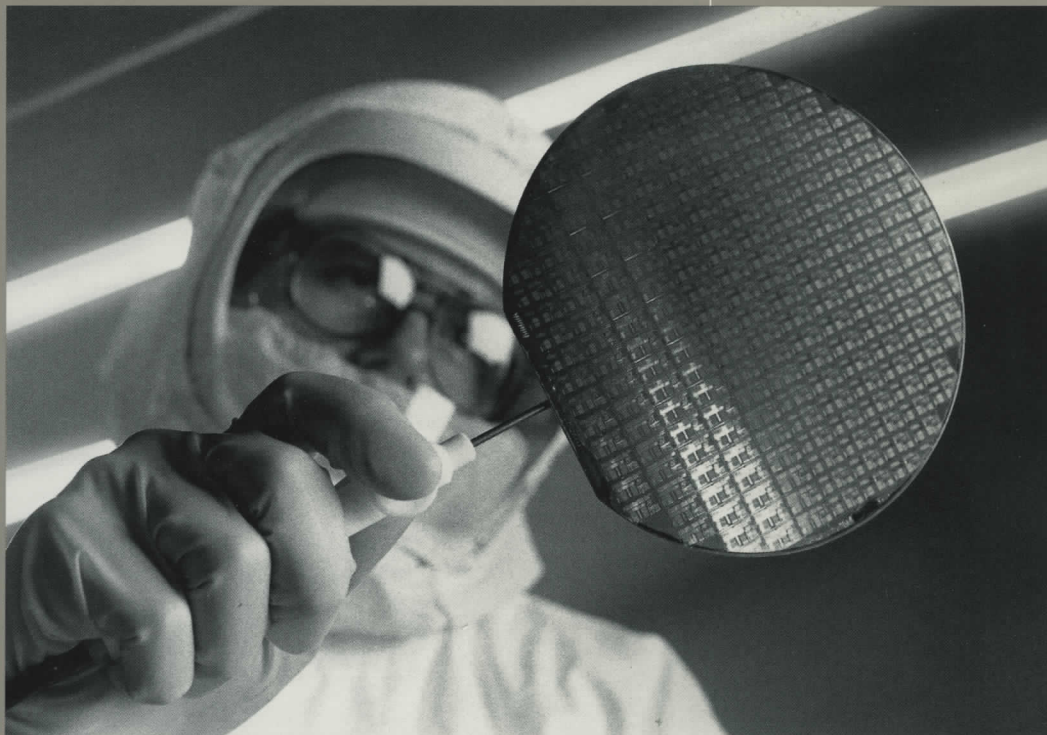


INTEL CORPORATION 1990 ANNUAL REPORT

Delivering Standards
To The New
Computing World



FINANCIAL HIGHLIGHTS

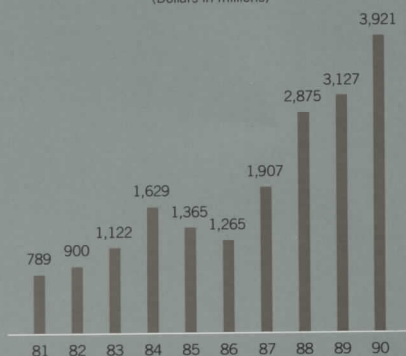
INTEL CORPORATION

	1990	1989	1988
(Dollars in thousands — except per share amounts)			
Net revenues	\$3,921,274	\$3,126,833	\$2,874,769
Income:			
Before taxes	\$ 986,261	\$ 583,021	\$ 629,062
Net	\$ 650,261	\$ 391,021	\$ 452,922
Net per share	\$ 3.20	\$ 2.07	\$ 2.51
Return on revenues:			
Before taxes	25.2%	18.6%	21.9%
Net	16.6%	12.5%	15.8%
Return on average equity	21.2%	16.9%	27.0%

See page 25 for a description
of our industry segment reporting.

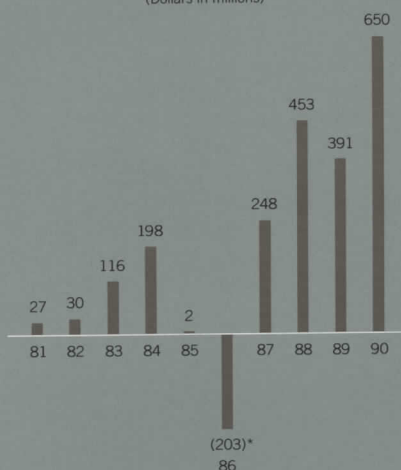
NET REVENUES

(Dollars in millions)



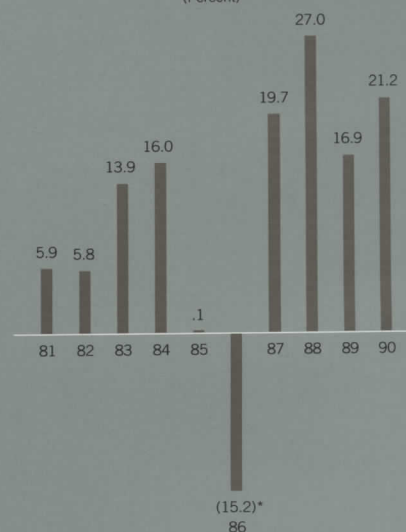
NET INCOME (LOSS)

(Dollars in millions)



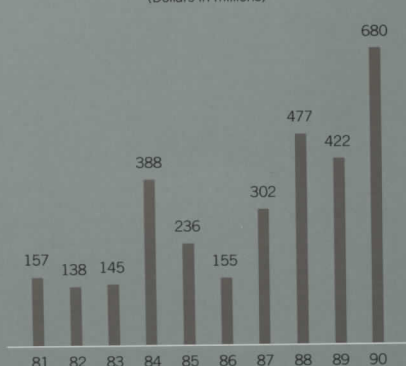
RETURN ON AVERAGE EQUITY

(Percent)



CAPITAL ADDITIONS

To property, plant and equipment
(Dollars in millions)



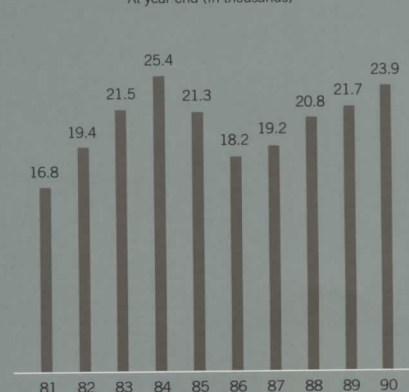
RESEARCH AND DEVELOPMENT

(Dollars in millions)



EMPLOYEES

At year end (In thousands)



*Includes a \$30 million loss (\$.17 per share) for the cumulative effect of a change in accounting principle for the adoption of FAS No. 96.

REMEMBERING BOB NOYCE

1927-1990

Bob Noyce, co-inventor of the integrated circuit and co-founder of Intel and Fairchild Semiconductor Corp., died suddenly on June 3, 1990. At the time of his death, he was Vice Chairman of Intel and Chief Executive Officer of Sematech, the U.S. industry-government consortium developing advanced semiconductor manufacturing technology. Below are a few remembrances of this remarkable man:

"Bob Noyce's work in the development of the integrated circuit was the single most important event that helped usher in the Information Age. Like the invention of the telephone, the light bulb, or the automobile, the creation and widespread practical application of the IC has fundamentally changed our lives—transforming computation, communications, manufacturing and transportation and giving birth to a host of entirely new industries and services."

—Dr. Robert M. White, President, National Academy of Engineering

"I believe the name Robert Noyce will become as important to the electronics industry as Alexander Graham Bell is to the telephone and Thomas Edison is to electricity. Dr. Noyce was a kind, gentle leader. We have lost not only an international genius, but a great friend who will be missed by all who knew him and admired his work."

—United States Representative J.J. Pickle, Texas

"Bob had this marvelous knack of not being intimidated by the conventional wisdom. He would suggest things that were absolutely contrary to the scientific knowledge of the time. And he succeeded in making major advances in the technology ten years before the industry understood the physics that made it happen."

—Intel Chairman Gordon Moore

"He was always an ordinary guy. With all his achievements, he remained unassuming."

—Intel President and Chief Executive Officer Andy Grove

"Dr. Noyce used to talk quietly and constructively at Japan-U.S. semiconductor negotiations where we discussed tough issues. He had a kind of charm because he was straightforward and yet sometimes bashful, just like a boy."

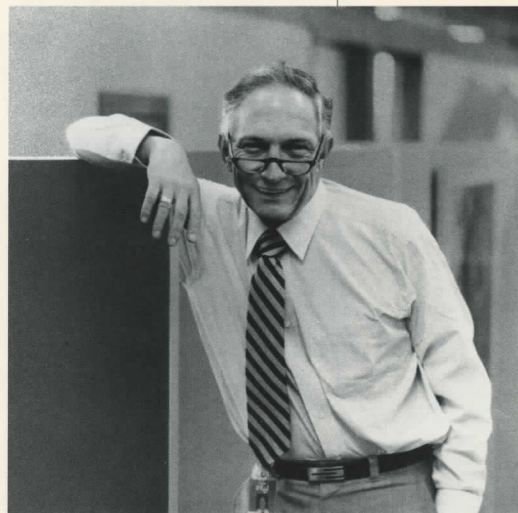
—Dr. Matami Yasufuku, Executive Vice President and Representative Director, Fujitsu Ltd.

"Bob likened breakthroughs in technology to climbing a mountain: it takes thousands of small steps to reach the summit. Well, what were small steps to Bob Noyce were indeed breakthroughs for the rest of us. His sure-footedness built the economic path on which we walk today, and upon which our children will walk in the future."

—United States Representative Norm Mineta, California

"Bob served as a regent of the University of California for six years. His interests ranged as broadly as the university he served with such dedication and effect. Committed, caring and collegial, Bob was a regent respected by all."

—David Gardner, President, University of California



In memory of Bob's efforts toward educational and industrial excellence, the Intel Corporation Foundation has established the Robert Noyce Memorial Fellowships at three U.S. universities: the Massachusetts Institute of Technology, the University of California at Berkeley, and the University of Texas at Austin. Fellowships will be awarded to graduate students whose research has the general goal of improving U.S. industrial competitiveness in the world economy. The Foundation has also established the Robert N. Noyce Public Service Internships in Technology at Bob's undergraduate alma mater, Grinnell College.

LETTER TO STOCKHOLDERS

INTEL CORPORATION

Excellent acceptance of our products and strong growth in all geographies helped to produce record results for 1990. Net revenues were up 25 percent from 1989. Net income was 66 percent higher than the previous year.

Product Demand Strong

Demand for 386™/486™

microprocessor family products exceeded supply. Shipments of these products doubled over 1989 levels as we added capacity and increased productivity. We extended the life of our Livermore, California, chip fabrication plant into 1991 and expanded output at other plants.

Results in other product categories were mixed. Unit demand for memories and embedded components was good, and sales of microcomputer platforms to OEM (original equipment manufacturer) customers were up substantially from 1989. Prices in both areas were under strong pressure.

New Products

It was another year of important product introductions.

■ The 386 SL microprocessor and its accompanying input/output subsystem chip enable OEMs to build powerful notebook-sized computers that are both compatible with current desktop models and very modest in power consumption.

Fortune magazine named this new microprocessor one of the year's most innovative products.

■ The introduction of flash memory cards makes possible more reliable and compact data storage in portable systems. Flash memory is becoming a mainstream memory technology in the marketplace.

■ The new i750* video processor is the first affordable VLSI (very large-scale integration) chip set which can integrate digital motion video, special effects, stills, audio, graphics and text in digital multimedia applications. This DVI™ (Digital Video Interactive) technology enables OEMs to deliver digital motion video hardware to the desktop for less than \$1000.

■ Intel is building the world's fastest supercomputer, rated at 32 billion floating-point operations per second, for the Concurrent Supercomputer Consortium, a group of some of the world's foremost research institutions. The consortium will use the system, which is based on 570 of Intel's i860™ and 386 microprocessors, to study large-scale problems such as global warming and gene mapping.

■ To serve the PC enhancement market, we introduced the NetPort™ server, a compact print server for the Novell local area network market, and the new SatisFAXtion™ board. *PC Computing* magazine named the SatisFAXtion fax/modem board one of the year's most valuable new products.

Quality Awards

Several important quality awards topped the list of key accomplishments for 1990:

■ We were the first semiconductor company to win Ford Motor Company's Total Quality Excellence (TQE) Award. We are honored to be one of only eight vendors out of Ford's more than 6000 supplier locations that have received the TQE Award thus far.

■ Intel Penang was named the winner of the 1990 Malaysian Prime Minister's Award for Quality.

■ Intel Manila was named Outstanding Quality Company of the Year by the Philippine Society for Quality Control.

Industry Trends

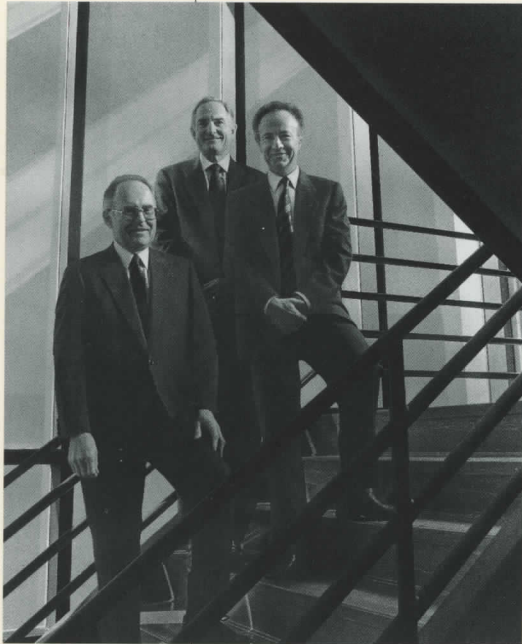
The Intel 386/486 microprocessor family has become the 32-bit de facto standard for many business computing applications. It is a common computing platform for notebook, laptop and desktop PCs, servers, workstations and mainframes in both single-processor and multi-processor configurations.

OEMs and their customers are demanding compatibility, upgradability and connectivity. The Intel 386 architecture, along with standard operating systems such as UNIX,* OS/2,* and MS-DOS*/Windows,* delivers these requirements and protects OEM and end-user investments long term.

■ Left to right:
Gordon E. Moore,
Chairman of the Board;
Craig R. Barrett,
Executive Vice President;
and Andrew S. Grove,
President and Chief
Executive Officer.

End-User Advertising Campaign

As Intel is a provider of computer building blocks primarily to systems manufacturers, our products generally have not been visible to the end user. In recent years, both manufacturers and end users have come to recognize the importance of the microprocessor at the heart of their systems. Our customers, including manu-



facturers such as IBM and Toshiba, have begun to feature Intel components prominently in their advertising as a selling point of their system offerings. In 1988, 1989 and again in 1990, we implemented a variety of advertising programs designed to build on these trends and to increase awareness among end users that the "computer inside" their computer is made by Intel.

Continued Investments

Intel's combination of a strong product portfolio and a strong

balance sheet allows us to invest in research and development and the plants and equipment to produce these new products. Capital additions were \$422 million in 1989 and \$680 million in 1990, and we project expenditures of more than \$800 million in 1991. These increases illustrate the investment level required to build the products our customers are demanding. In 1990, our investment in research and development grew to \$517 million and is expected to grow again in 1991.

The second module of a wafer fabrication plant in Albuquerque, New Mexico, where we will implement our most advanced technology, is about ready to begin producing. We opened a new systems plant in the Republic of Ireland and we've committed to a major new silicon wafer fabrication plant on this same site.

We are converting our Oregon site chip development facility back into a production fab for logic devices and building a new advanced development facility next to it. This new development facility will be dedicated to research and development of sub-half-micron process technology.

Solid Foundations in an Uncertain World

Imitations of our math coprocessors have begun to appear on the market, and 386 CPU imitations are likely. Our strategy for dealing with potential imitators has three areas of focus. We will continue to protect our intellectual property and defend against its illegal use by other companies. We will continue to compete with imitators

and other CPU suppliers by providing our customers with a broad range of choices, which include 386/486 family processors at multiple levels of performance and integration. Third, our ongoing investment in capacity will enable us to deliver quality products in volumes required by our customers.

Despite general anxiety in the economic outlook, through early 1991 our order patterns continue to be strong. We work closely with customers to evaluate and monitor inventory levels and we are watching closely other macroeconomic trends.

In recognition of the increasing importance of our international business, the feature section of this report shows examples of our customers around the world and their use of our products.

Gordon E. Moore
Chairman of the Board

Andrew S. Grove
President and Chief Executive Officer

Craig R. Barrett
Executive Vice President

History

Intel was founded in 1968 to pursue the potential of integrating large numbers of transistors into silicon chips. The company quickly acquired a reputation as an innovator, producing the industry's first microprocessor, LSI DRAM (large-scale integration dynamic random access memory) and EPROM (erasable programmable read-only memory). These and other significant Intel products enabled the development of small, inexpensive, powerful computing systems — revolutionizing electronics.

The company originally flourished as a supplier of semiconductor memory for mainframe computers and minicomputers. Intel is now a leading supplier of microcomputer components, modules and systems.

Today, Intel is a major international presence, with manufacturing and development facilities on three continents and 79 sales offices in 21 nations. The company also sells through electronics distributors in 34 countries.

Major Customers

Intel sells its microcomputer components, modules and systems directly to companies that incorporate them into their products. These include manu-

facturers of computer systems, automobiles and industrial and telecommunications equipment.

About one-fourth of revenues come from sales to electronics distributors which resell to tens of thousands of customers, allowing Intel to reach a much broader customer base.

In addition, enhancement products for personal computers are sold through a network of more than 2000 retail computer stores. Intel also sells supercomputers and systems-interconnect products directly to end users.

Major Products

■ *Microprocessors* are the central control units that direct the processing of data in microcomputer systems.

■ *Microprocessor peripherals* work with microprocessors to handle specific functions such as numerical calculations and control of disk drives and memory devices.

■ *DVI technology products* bring multimedia capability, including full-motion, interactive video, to PC platforms.

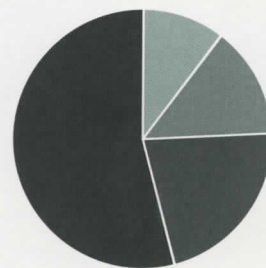
■ *Microcontrollers* are microcomputers programmed to perform specific functions in such products as automobile engines, electric motors, home appliances, VCRs, etc.

■ *Flash memory devices* are nonvolatile, read/write semiconductor memory products.

■ *EPROMs* store programs for microprocessors and microcontrollers.

■ *OEM modules and systems* are based on Intel components and sold to OEMs who integrate them into their products.

■ *Systems-interconnect products* consist of hardware and software for mainframe-to-mainframe communications.



Geographic Breakdown of Sales (percent)

- North America: 54
- Europe: 22
- Asia-Pacific: 14
- Japan: 10

■ *Supercomputer systems* are large-scale, parallel-processing systems for high-end applications.

■ *Personal computer enhancement products* are add-in boards and components sold through retail computer stores to PC users who want to upgrade their systems.

DELIVERING STANDARDS TO THE
NEW COMPUTING WORLD

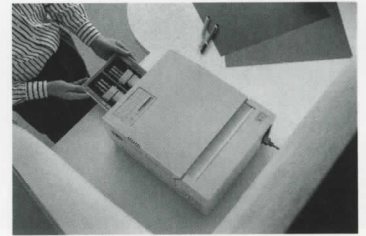
■ As the 1990s open, the computer industry finds itself in the throes of a dramatic restructuring. Attracted by the high performance and low cost of microprocessor-based systems, users are driving a shift to standard computing platforms and open systems. Increasingly, microprocessors are forming the core of all computing systems. ■ At the same

time, the world of computing is expanding. The Asia-Pacific market is booming; a new Europe is under construction; and the richness of microcomputer capabilities is expanding technology opportunities in the U.S. and Japan. ■ As a leading supplier of microcomputer

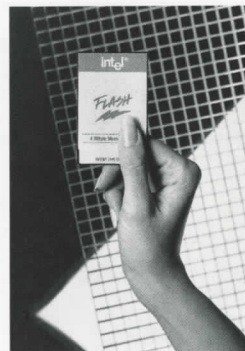
building blocks to OEMs worldwide, Intel plays a central role in this new computer industry. We are tapping opportunities around the globe: in 1990, 46 percent of Intel's sales came from outside North America. Delivering microcomputer standards and providing responsive service in each market, we are helping our customers bring the power of the new microprocessor revolution to end users around the world.



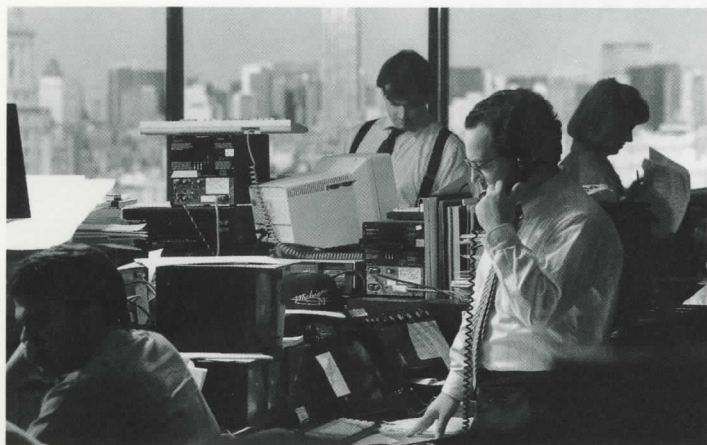
■ In 1990, 32-bit processing power took to the streets. Portable PCs comprise the fastest-growing sector of the personal computer market, with annual sales growth of 40 percent. The new COMPAQ* LTE 386s/20, pictured here, weighs just seven and a half pounds and offers more than three hours of battery life, a full-sized keyboard and new display technology for high readability. And the 20-megahertz 386 SX™ microprocessor that runs the machine means the notebook PC is completely compatible with all Intel-based PCs back in the office.



■ Seiko Instruments' new Color-Point* PS desktop color printer puts out high-resolution color graphics as much as 60 percent faster than previous-generation printers, thanks to Intel's i960™ embedded processor. "Our customers wanted a faster, more reliable, lower-priced printer," says Dale Richmond, Marketing Manager for Seiko Instruments USA's Graphic Devices and Systems Division. "The advanced technology of Intel's i960 processor lets us provide all that."



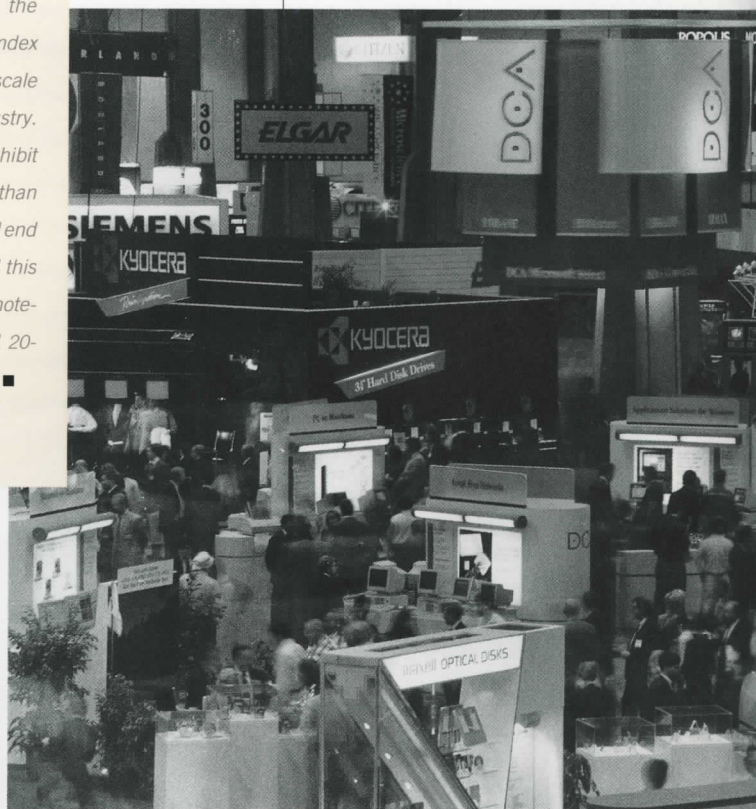
■ A modern dilemma: portable PCs keep shrinking, while memory demands keep growing. A sizeable solution: Intel's new credit card-sized flash memory card, in one- and four-megabyte densities. Lightweight and nonvolatile (meaning it retains information even when power is shut off), the flash card extends memory life by more than 20 times compared to mechanical disk drives.

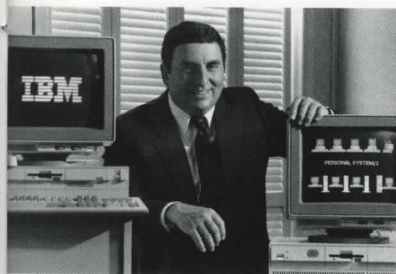


■ In the world of high finance, a wasted minute can mean a lost deal. At Prudential-Bache, Intel's iPSC®/860 supercomputer analyzes complex mortgage securities portfolios in real time. Up to 128 of Intel's i860 microprocessors work in parallel to crunch numbers at speeds of up to 7.6 billion floating-point operations per second (gigaFLOPS)—at about one-tenth the cost per gigaFLOP of a CrayY-MP supercomputer. Demand is growing: Intel has shipped more parallel supercomputers than any other company in the world.

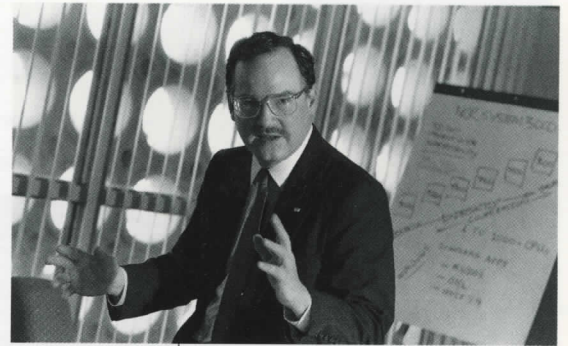
The largest trade show in the country, the annual Fall Comdex in Las Vegas captures the scale and energy of the computer industry. Here, more than 1,850 companies exhibit their newest technologies to more than 125,000 manufacturers, resellers and end users. At the center of the whirlwind this year: a flock of new 32-bit laptop and notebook PCs, based on Intel's 16- and 20-megahertz 386 SX microprocessors. ■

■ "The Intel-IBM partnership goes way back," says Jim Cannavino, (at right) IBM Vice President and General Manager, Personal Systems. The IBM Personal System/2* model 55 SX personal computer (left), based on Intel's 386 SX CPU, has become the best-selling PC in the world—making Intel's technology and IBM's Micro Channel* architecture a winning combination. And now, the powerful new PS/2* Model 90 XP 486 (right) brings 486 microprocessor technology to IBM's power-hungry customers. The new PS/2 models are designed to allow for complete hardware upgrades with future Intel processors. "Our customers want to preserve their investment," says Cannavino. "Intel compatibility lets us provide that security."

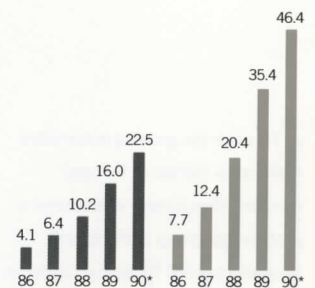




■ In today's increasingly competitive environment, American business success depends on efficient information management. Intel's 386/486 architecture provides the power and compatibility that business users demand. ■ A company's information-management needs grow and change constantly. To keep up, computer systems must run standard software and plug easily into networks. Increasingly, inexpensive systems based on microprocessors are replacing traditional mainframes and minicomputers. ■ One example: the *client-server model* of computing, where PCs acting as the client are accessing data and programs from the server or mainframe. Servers based on high-end processors, such as Intel's 486 CPU, operate at mainframe speeds and are connected on a network. They handle traditional mainframe functions—sending electronic mail, sharing printers, storing data, managing data bases—all at a fraction of the cost of traditional data-processing solutions. ■ North America remains Intel's largest and most advanced market in the world, where standards for both hardware and software are set. To help establish open software standards, Intel works closely with software developers and standard-setting bodies.



■ "NCR's new System 3000 family uses Intel architecture from top to bottom," says NCR Chief Architect Lee Hoevel. Every product in the new family—from notebook PCs to massively parallel computers—is driven by an Intel 386 or 486 microprocessor. Says Hoevel: "Standardization on the Intel architecture allows us to provide our customers with the broadest range of open, cooperative computing power in the industry."



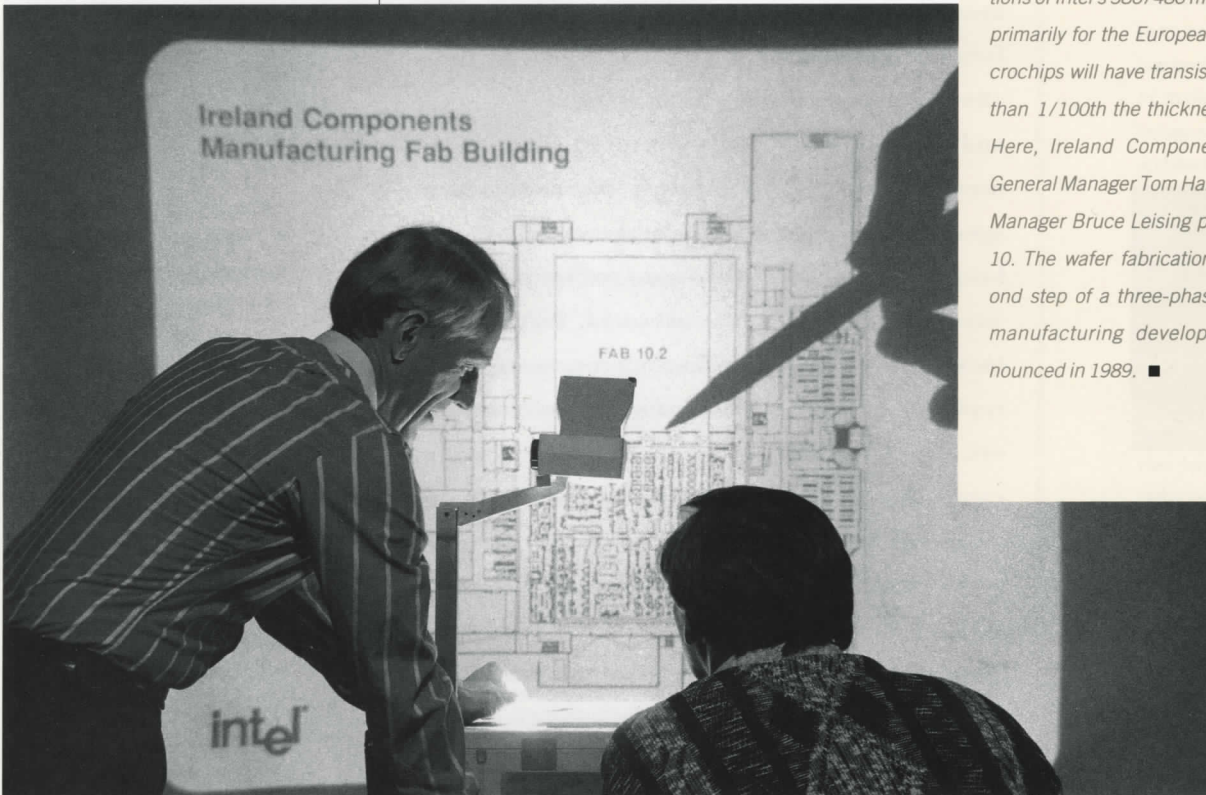
32-Bit Systems — U.S.
(Percent)

■ INSTALLED BASE
32-bit systems
as a percent of total
PC installed base

■ ANNUAL SHIPMENTS
32-bit systems
as a percent of total
PC shipments

Source: Dataquest
* Estimate

Intel's newest wafer fabrication facility, currently under construction in Leixlip, Ireland, will be the company's most advanced factory, producing Intel's most advanced logic components. The fab's state-of-the-art clean room, tens of thousands of times cleaner than a surgical operating room, will be dedicated to producing the newest generations of Intel's 386/486 microprocessor family, primarily for the European market. These microchips will have transistor gateways smaller than 1/100th the thickness of a human hair. Here, Ireland Components Manufacturing General Manager Tom Hartman (left) and Plant Manager Bruce Leising present plans for Fab 10. The wafer fabrication facility is the second step of a three-phase, 10-year European manufacturing development program announced in 1989. ■



■ To serve the growing automotive electronics market in Europe, Intel and Bosch have established a joint design group at the Bosch Microelectronics Technical Center in Reutlingen, Germany. Here, Intel and Bosch designers work side by side, using Intel's modular design technology to develop application-specific versions of Intel's 16-bit MCS®-96 embedded controllers. The controllers power automotive anti-lock braking systems and engine control systems.





■ The Olivetti Group's Olivetti Systems and Networks (OSN) division is one of the significant players in the European information technology market, and a key Intel partner. Olivetti Group Managing Director Vittorio Cassoni says, "Intel and OSN both endorse the concept of open systems, and to this purpose we cooperate in the definition, diffusion and implementation of new standards. For example, our joint work on the Extended Industry Standard Architecture (EISA) enabled OSN to introduce the first 486 CPU-based EISA server, the CP486. Such cooperation ultimately means Olivetti users have more choice and more chance to have their installed bases evolve simply, flexibly and inexpensively."



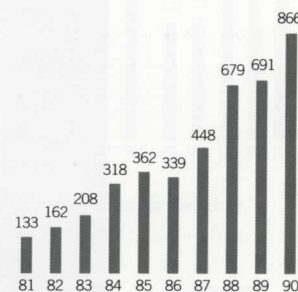
■ U.K.-based Reuters depends on Intel systems to link clients to its massive database of financial information. Buford Smith, Senior Vice President of Information Product Technology, says, "Intel systems are important components in the Reuter global information network. Intel helps us deliver real-time market quotes and news to the desktops of clients around the world."

■ Change is sweeping Europe — bringing enormous growth potential in the information technology market. The European end-user PC market is projected to exceed the U.S.'s by 1995. Western Europeans' consumption of electronic equipment is only 2.6 percent of their gross national product (GNP), compared to 3.4 percent in the U.S. and 2.9 percent in Japan. The combined markets of Eastern and Western Europe include 725 million consumers,

representing over 40 percent of the world's GNP, 45 percent of whom have virtually no computer or electronic systems to speak of—yet. ■ Intel has served Europe for two decades, providing high-tech solutions for Europe's PC, automotive and communications markets. This is the company's largest mar-

ket outside the U.S., generating 1990 revenues of close to \$870 million. ■ Now, with our new systems plant and wafer fabrication facility under construction in the Republic of Ireland, we continue to grow with our European customers—providing them with a local source for the microcomputer solutions they need to serve the new Europe.

■ In Eastern Europe, Intel is a recognized technology leader. The government of the Soviet Union has already standardized on the Intel architecture for PC purchases. Through partnerships with local distributors and participation in trade fairs and seminars throughout Eastern Europe, we are poised to seize opportunities in this technology-hungry region.



Intel Europe Sales Growth
(Dollars in millions)



■ A product of Korea's growing office automation market, Samsung's SF-2310 personal desktop fax machine brings full fax capabilities to even the smallest of businesses. Intel's 80186 embedded controller enables such features as 10-page automatic document feeding and one-touch dialing for up to 24 numbers.

Taiwanese PC powerhouse Acer combines state-of-the-art surface mount technology and automated inventory management systems for maximum manufacturing efficiency. Proven Intel quality helps speed the process: Acer is one of more than 100 customers worldwide who accept Intel components directly into their inventory without performing incoming inspections. ■





■ Operating round the clock, Seagate plants in Singapore crank out thousands of hard and floppy drives a day to feed the world-wide PC market. Intel supplies Seagate with erasable programmable read-only memories (EPROMs) and 8- and 16-bit microcontrollers for their high-end drives. Methodical inspection during the drive board assembly process, pictured here, assures high quality.

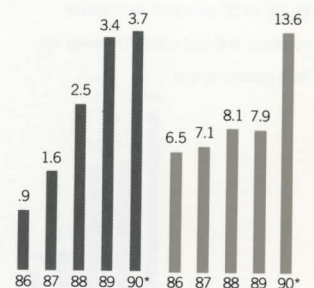
■ In the world of electronics, all eyes are on the “four dragons” of the Asia-Pacific region (APAC)—Hong Kong, Singapore, South Korea and Taiwan. The region has become the world’s center for high-

volume manufacturing of PCs, disk drives and office automation equipment. APAC’s MOS digital semiconductor consumption has skyrocketed from \$871 million in 1986 to \$3.7 billion in 1990, making it the fastest-growing semiconductor market in the world. In 1990 alone, Intel’s share of this explosive market rose by 72 percent. ■

To fuel this manufacturing engine, Intel maintains local sales and support centers in each of these four APAC countries plus the People’s Republic of China. Intel field application engineers in the region are trained as specialists in office applications. “We provide intensive service and total solutions, often working with our customers to develop entire prototype applications for our products,” says Intel’s APAC Vice President and General Manager Dave Shrigley. ■ Intel also operates a regional telemarketing desk for dynamic random access memories (DRAMs). Local distributors call the central office to check inventory and price, and Intel books shipments in real time. ■ Such dedication to service and solutions means high customer satisfaction: at year’s end 100 percent of Intel’s major APAC customers rated the company first, second or excellent for product quality among their suppliers.



■ Intel APAC Vice President and Managing Director Francis Yu (left) meets regularly with key customers like Mitac President C.S. Ho to ensure ongoing satisfaction. (Intel’s 386 and 486 microprocessors drive Mitac’s PC systems for both the EISA and Micro Channel buses.) Ho is Chairman of the Taipei Computer Association, a group of major Taiwanese PC makers who work together and with suppliers like Intel on key trade issues.



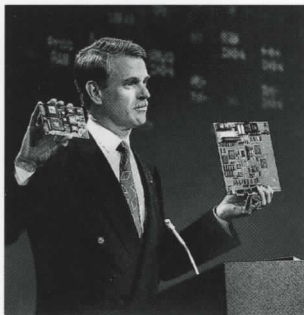
Asia-Pacific Market Growth

■ Total Available MOS Digital Semiconductor Market (Dollars in billions)
■ Intel Share of Market (Percent)

Source: Dataquest/Intel
*Estimate

■ "We expect this product to revolutionize notebook PC design," said Microcomputer Components Group President Dave House (at right) at the introduction of Intel's new 386 SL microprocessor.

The fledgling notebook PC market is doubling every year. But until now, would-be manufacturers and users of notebook PCs have been frustrated by a power-gap paradox: because 32-bit microprocessors tend to require large, heavy battery packs to support their power needs, users have had to sacrifice computing performance for the convenience of a truly portable system. ■ Now, no more compromises. The 386 SL CPU and its accompanying input/output subsystem chip, introduced in Japan in October, consolidate all the critical logic functions of a full 32-bit PC system into just two chips. This means a lightweight board, as small as 4" by 6", can integrate all the capability provided by 170 or more components on earlier-generation PC boards. At the same time, the 386 SL microprocessor set can extend battery life by up to 50 percent over earlier systems without compromising system performance.



■ Japanese customers expect rapid, accurate analysis of quality-related problems. In response, Intel built a multi-million-dollar Quality Support Center in Tsukuba, Japan—with the same test, analysis, technical and network capabilities as an actual factory. This "virtual factory" gives Intel's Japanese customers the same level of service and support that they can get from the best Japan-based suppliers. Customer Quality and Reliability manager Tadaaki Koana (left) says, "We serve Japanese customers with a combination of state-of-the-art analysis equipment and local engineering expertise. In addition, we are constantly in communication with Intel factories around the world, so we can leverage the accumulated expertise of the entire company."



In the midst of the mammoth Japanese electronics market, one standard stands out: Intel 32-bit processors form the heart of PCs from many major manufacturers. Intel is committed to continuing the compatibility cycle with new generations of the 386/486 microprocessor family. This means that Japanese PC manufacturers can depend on Intel to support and enhance their designs for years to come. ■



■ Intel has been in Japan since shortly after the company's founding, and formally opened its Japanese subsidiary, Intel Japan K.K., in 1976. Over the past two decades, the company has worked persistently to establish long-term relationships with Japanese customers. "We've had to prove ourselves, to show that we're dedicated to supporting Japanese customers over the long haul," says Intel Japan President Bill Howe. "In Japan, it's important to give customers 'anshinkan,' or peace of mind." The ingredients for success: "Excellent customer service, top-notch technology, patience, persistence and time." ■ The efforts are paying off: Intel is consistently rated above other foreign vendors for quality. And in an October 3, 1990 *Nikkei Sangyo Shimbun* article, Yamaha's Manager of Electronic Component Procurement Shunsuke Uejima praised Intel's service: "Among foreign semiconductor makers, Intel in particular stands out. Intel representatives make frequent sales calls and spend

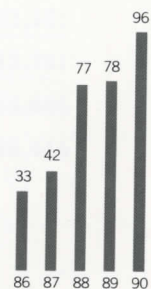
a long time developing alternate proposals to meet our needs."



■ In October, NEC sponsored a seminar for end users on the future of computing and invited Intel President and CEO Andy Grove (far left) and Microsoft Chairman and CEO Bill Gates (second from left) to be the featured speakers. In introducing the speakers, NEC Executive Vice President and Director Akira Kobayashi (right) said, "We are pleased to have these two companies as cooperators in technology."



■ The elegance of technology in action: in Sanyo's complex air conditioner system, pictured above, Intel's 16-bit MCS-96 microcontroller monitors temperature and humidity and reacts in real time to control airflow and compressor speed. The result: maximum energy savings, and one of the quietest air conditioners in the world. Intel has shipped more than one million MCS-96 units to Sanyo since 1987.



Quality Vendor of Choice Rating (Percent)

The number of major Japanese customers who rate Intel first, second or excellent among their suppliers for product quality has risen dramatically over the last five years.

CONSOLIDATED STATEMENTS OF INCOME
INTEL CORPORATION

Three Years Ended December 29, 1990	1990	1989	1988
(In thousands — except per share amounts)			
Net revenues	\$3,921,274	\$3,126,833	\$2,874,769
Cost of sales	1,930,288	1,720,979	1,505,925
Research and development	516,747	365,104	318,331
Marketing, general and administrative	615,904	483,436	456,200
Operating costs and expenses	3,062,939	2,569,519	2,280,456
Operating income	858,335	557,314	594,313
Interest expense	(99,363)	(96,127)	(76,206)
Interest income and other, net	227,289	121,834	110,955
Income before taxes	986,261	583,021	629,062
Provision for taxes	336,000	192,000	176,140
Net income	\$ 650,261	\$ 391,021	\$ 452,922
Earnings per common and common equivalent share	\$ 3.20	\$ 2.07	\$ 2.51
Weighted average common and common equivalent shares outstanding	202,911	188,778	180,437

See accompanying notes.

CONSOLIDATED BALANCE SHEETS

INTEL CORPORATION

December 29, 1990 and December 30, 1989

1990

1989

(In thousands — except per share amounts)

Assets

Current assets:

Cash and cash equivalents	\$1,619,648	\$1,063,734
Short-term investments (at cost, which approximates market)	165,239	26,005
Accounts receivable, net of allowance for doubtful accounts of \$8,216 (\$7,715 in 1989)	709,658	568,709
Inventories	415,433	347,077
Prepaid taxes on income	144,583	127,822
Other current assets	64,620	29,526

Total current assets

3,119,181 **2,162,873**

Property, plant and equipment:

Land and buildings	961,368	802,022
Machinery and equipment	1,764,623	1,337,452
Construction in progress	87,614	109,193

Less accumulated depreciation

2,813,605 2,248,667
1,156,037 964,617

Property, plant and equipment, net

1,657,568 **1,284,050**

Long-term investments (at cost, which approximates market)

561,477 **507,669**

Other non-current assets

38,082 **39,391**

Total assets

\$5,376,308 **\$3,993,983**

Liabilities and Stockholders' Equity

Current liabilities:

Short-term debt	\$ 171,330	\$ 156,499
Commercial paper	31,897	—
Long-term debt redeemable in 1991	75,369	—
Accounts payable	209,365	165,352
Deferred income on shipments to distributors	120,789	95,951
Accrued compensation and benefits	254,760	164,859
Other accrued liabilities	209,140	172,048
Income taxes payable	241,101	166,517

Total current liabilities

1,313,751 **921,226**

Long-term debt

344,605 **412,480**

Deferred taxes on income

126,446 **111,474**

Commitments and contingencies

Stockholders' equity:

Preferred stock, \$.001 par value, 50,000 shares authorized; none issued	—	—
Common stock, \$.001 par value, 350,000 shares authorized; 199,651 issued and outstanding in 1990 (184,516 in 1989)	200	185
Capital in excess of par value	1,572,555	1,165,191
Retained earnings	2,018,751	1,383,427

Total stockholders' equity

3,591,506 **2,548,803**

Total liabilities and stockholders' equity

\$5,376,308 **\$3,993,983**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
INTEL CORPORATION

Three Years Ended December 29, 1990	1990	1989	1988
(In thousands)			
Cash and cash equivalents, beginning of year	\$1,063,734	\$ 929,712	\$629,845
Cash flows provided by (used for) operating activities:			
Net income	650,261	391,021	452,922
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	292,431	237,160	210,934
Net loss on retirements of property, plant and equipment	13,597	23,351	16,461
Amortization of debt discount	14,351	12,603	12,074
Change in prepaid and deferred taxes on income	(1,789)	30,684	(86,488)
Changes in assets and liabilities:			
(Increase) in accounts receivable	(140,949)	(62,232)	(67,455)
(Increase) decrease in inventories	(68,356)	18,859	(130,409)
(Increase) in other assets	(33,785)	(10,546)	(9,224)
Increase in accounts payable	44,013	12,810	37,107
Deferral of gain on sale of building with leaseback	—	—	(8,461)
Increase in other liabilities	248,139	50,091	287,275
Total adjustments	367,652	312,780	261,814
Net cash provided by operating activities	1,017,913	703,801	714,736
Cash flows provided by (used for) investing activities:			
Proceeds from sale of buildings, net	—	—	27,263
Additions to property, plant and equipment	(679,546)	(422,102)	(477,460)
Sales and maturities of investments	38,261	69,607	53,416
Additions to investments	(237,663)	(159,295)	(262,657)
Net cash (used for) investing activities	(878,948)	(511,790)	(659,438)
Cash flows provided by (used for) financing activities:			
Additions to (repayment of) short-term debt, net	33,468	(59,855)	4,795
Increase (decrease) in commercial paper, net	31,897	(17,000)	(132,558)
Additions to long-term debt	1,288	286	87,005
Retirement of long-term debt	(20,422)	(44,220)	(27,868)
Proceeds from sales of shares through employee stock plans and other	79,668	62,800	44,582
Proceeds from exercise of warrants, net	393,426	—	268,613
Repurchase and retirement of common stock	(102,376)	—	—
Net cash provided by (used for) financing activities	416,949	(57,989)	244,569
Net increase in cash and cash equivalents	555,914	134,022	299,867
Cash and cash equivalents, end of year	\$1,619,648	\$1,063,734	\$929,712
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$ 68,400	\$ 82,300	\$ 64,000
Income taxes	\$ 241,500	\$ 136,000	\$ 94,400

See accompanying notes.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
INTEL CORPORATION

Three Years Ended December 29, 1990	Common Stock		Capital in excess of par value	Retained Earnings	Total
	Number of shares	Amount			
(In thousands)					
Balance at December 26, 1987	168,332	\$169	\$ 736,772	\$ 539,484	\$1,276,425
Proceeds from sales of shares through employee stock plans, tax benefit of \$37,512 and other	3,254	3	82,091	—	82,094
Proceeds from exercise of warrants, net	8,954	9	268,604	—	268,613
Net Income	—	—	—	452,922	452,922
Balance at December 31, 1988	180,540	181	1,087,467	992,406	2,080,054
Proceeds from sales of shares through employee stock plans, tax benefit of \$14,928 and other	3,976	4	77,724	—	77,728
Net Income	—	—	—	391,021	391,021
Balance at December 30, 1989	184,516	185	1,165,191	1,383,427	2,548,803
Proceeds from sales of shares through employee stock plans, tax benefit of \$21,724 and other	4,243	4	101,388	—	101,392
Proceeds from exercise of warrants, net	14,103	14	393,412	—	393,426
Repurchase and retirement of common stock	(3,211)	(3)	(87,436)	(14,937)	(102,376)
Net Income	—	—	—	650,261	650,261
Balance at December 29, 1990	199,651	\$200	\$1,572,555	\$2,018,751	\$3,591,506

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
INTEL CORPORATION

Accounting Policies

FISCAL YEAR

Intel Corporation has a fiscal year which ends the last Saturday in December. Fiscal years 1990 and 1989, each 52 week years, ended on December 29 and 30, respectively. Fiscal year 1988, a 53 week year, ended on December 31, 1988. The next 53 week year will end on December 31, 1994.

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Intel Corporation and all of its wholly-owned subsidiaries. Investments in joint ventures are accounted for under the equity method. Accounts denominated in foreign currencies have been translated in accordance with Statement of Financial Accounting Standards (FAS) No. 52 "Foreign Currency Translation," using the U.S. dollar as the functional currency.

INVENTORIES

Inventories are stated at the lower of cost or market. Cost is computed on a currently adjusted standard basis (which approximates actual cost on an average or first-in, first-out basis). Market is based upon estimated realizable value reduced by normal gross margin. Inventories at fiscal year-ends are as follows:

(In thousands)	1990	1989
Materials and purchased parts	\$ 78,409	\$ 84,633
Work in process	140,134	119,413
Finished goods	196,890	143,031
Total	<u>\$415,433</u>	<u>\$347,077</u>

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Depreciation is computed for financial reporting purposes principally by use of the straight-line method over the estimated useful lives of the assets. Accelerated methods of computing depreciation are used for tax purposes.

DEFERRED INCOME ON SHIPMENTS TO DISTRIBUTORS

Certain of Intel's sales are made to distributors under agreements allowing price protection and right of return on merchandise unsold by the distributors. Because of frequent sales price reductions and

rapid technological obsolescence in the industry, Intel defers recognition of such sales until the merchandise is sold by the distributors.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are highly liquid investments with insignificant interest rate risk and original maturities of three months or less.

INTEREST

Interest related to contractual agreements to hedge certain investment positions and debt (see Other Financial Instruments) is recorded as net interest income or net interest expense on a monthly basis. Interest expense capitalized as a component of construction costs was \$3.1 million, \$6.0 million and \$1.9 million for 1990, 1989 and 1988, respectively.

ACCOUNTING FOR INCOME TAXES

During fiscal year 1988, the Company adopted accounting for income taxes pursuant to FAS No. 96 effective as of the beginning of fiscal year 1986.

EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE

Earnings per common and common equivalent share is computed using the weighted average number of outstanding common shares and dilutive common equivalent shares outstanding. Fully diluted earnings per share has not been presented as part of the consolidated statements of income because the differences are insignificant.

Common Stock

STOCK REPURCHASE PROGRAM

In August 1990, the Board of Directors of Intel Corporation authorized the repurchase of up to 20 million shares of the Company's Common Stock in open market or negotiated transactions. During 1990, approximately 3.2 million shares at a cost of \$102.4 million were repurchased and retired.

WARRANTS

On May 20, 1985, the Company issued \$236.5 million aggregate principal amount of zero-coupon notes (see Borrowings) with detachable warrants. The warrants entitled the holders to purchase

8.9 million shares of Common Stock at a price of \$26.67 per share through May 15, 1995. In March 1990, the Company announced the acceleration of the expiration date to April 24, 1990, as permitted under the terms of the Warrant Agreement. Subsequently, in April 1990, 8.9 million shares of Common Stock were issued for net proceeds of \$236.0 million.

On April 1, 1987, the Company issued warrants that entitled the holders to purchase 5.25 million shares of Common Stock at a price of \$30 per share through March 15, 1992. In June 1990, the Company announced the acceleration of the expiration date to July 25, 1990, as permitted under the terms of the Warrant Agreement. Accordingly, net proceeds of \$157.4 million were received and 5.2 million shares of Common Stock were issued in July 1990.

COMMON STOCK PURCHASE RIGHTS

In April 1989, the Board of Directors of Intel Corporation authorized the issuance of one Common Stock Purchase Right (a "Right") for each share of Common Stock. The Rights trade automatically with shares of Intel's Common Stock and may not be exercised or traded separately until certain events occur, including the announcement of an offer to acquire at least 20% of Intel's outstanding Common Stock. After becoming exercisable, each Right entitles its holder to purchase one share of Common Stock of Intel at \$120 per share. In addition, after any person (an "Acquiring Person") acquires 20% or more of Intel's outstanding Common Stock in a transaction which the Board of Directors has not determined to be in the best interests of Intel and its stockholders, each Right (other than those held by the Acquiring Person) entitles its holder to purchase for the exercise price that number of shares of Common Stock having a market value of two times the exercise price. Also, if after a person has become an Acquiring Person, Intel is a party to a merger or other business combination, each Right (other than Rights held by the Acquiring Person) entitles its holder to purchase for the exercise price that number of shares of common stock of the surviving corporation worth two times the exercise price.

At any time before the tenth day after a person becomes an Acquiring Person, Intel may redeem the Rights, in whole but not in part, at a redemption price of \$.01 per Right. In addition, at any time after a person becomes an Acquiring Person and prior to such Acquiring Person owning 50% or more of the outstanding Common Stock, Intel may exchange the Rights (other than Rights held by the Acquiring Person) in whole or in part, at an exchange ratio of one Common Share per Right. The Rights will expire, if not earlier redeemed or exchanged, on May 1, 1999. The exercise price, redemption price and exchange ratio are subject to adjustment under certain circumstances.

Borrowings

SHORT-TERM DEBT

Short-term debt at December 29, 1990 consists of \$8.6 million of notes payable, \$124.4 million borrowed under foreign and domestic lines of credit, \$10.4 million of current portion of long-term debt, and \$27.9 million borrowed under other arrangements. At December 29, 1990 the Company and its subsidiaries had established foreign and domestic lines of credit of approximately \$900 million. These lines are generally renegotiated on an annual basis. The Company complies with compensating balance requirements related to certain of these lines of credit; however, such requirements are immaterial and do not legally restrict the use of cash. The weighted average interest rate on notes payable and borrowings under lines of credit outstanding at December 29, 1990 approximated 8.5%.

COMMERCIAL PAPER

The Company borrows under commercial paper programs under which the aggregate outstanding balance reached \$650 million in 1990 and \$654 million in 1989. This debt is rated A1 by Standard and Poor's and P1 by Moody's Investor Service. The proceeds are used to fund short-term working capital needs of the Company. At December 29, 1990 there were \$31.9 million of commercial paper obligations outstanding (none at December 30, 1989).

LONG-TERM DEBT

Long-term debt at fiscal year-ends is as follows:

(In thousands)	1990	1989
Payable in U.S. dollars:		
1983 Series A Industrial, Medical and Environmental Pollution Control Revenue Bonds	\$ 79,257	\$ 78,980
1983 Series B Industrial, Medical and Environmental Pollution Control Revenue Bonds	29,927	29,902
Zero Coupon Notes, net of unamortized discount of \$85,024 (\$99,189 in 1989)	131,321	117,156
8 1/8% Notes	98,223	102,176
Other U.S. dollar debt	14,500	14,500
Payable in other currencies:		
Yen Guaranteed Bonds	—	16,080
Yen Guaranteed Step-up Coupon Notes	75,369	69,420
Other foreign currency debt	1,758	426
(Less redeemable long-term debt)	(75,369)	—
(Less current portion of long-term debt)	(10,381)	(16,160)
Total long-term debt	\$344,605	\$412,480

Deferred (prepaid) income taxes result from differences in the timing of certain revenue and expense items for tax and financial reporting purposes. The sources and tax effects of these differences are as follows:

(In thousands)	1990	1989	1988
Inventory valuation and other reserves	\$(35,565)	\$ 9,304	\$(12,874)
Benefit for deferred tax charges previously expensed	—	—	(22,000)
Unremitted earnings of certain subsidiaries	24,751	4,598	(44,778)
Deferred investment tax credits	—	—	(2,000)
Depreciation	21,274	11,870	10,530
Other, net	(12,249)	4,912	(15,366)
Deferred (prepaid) income taxes	\$ (1,789)	\$30,684	\$(86,488)

The Company's U.S. income tax returns for the years 1978 through 1982 have been examined by the Internal Revenue Service. In June 1989, the Company received a notice of proposed deficiencies from the Internal Revenue Service totaling \$36 million, exclusive of penalties and interest, for the years 1978 through 1982. These proposed deficiencies relate primarily to subsidiary operations in Puerto Rico. In September 1989, the Company filed a petition in the U.S. Tax Court contesting these proposed deficiencies. No decision has been rendered. Management believes that adequate amounts of tax have been provided for any adjustments which may result from these proposed deficiencies.

The Company's U.S. income tax returns for the years 1983 through 1987 are presently under examination by the Internal Revenue Service. Management believes that adequate amounts of tax have been provided for any adjustments which may result for the years under examination.

Employee Benefit Plans

STOCK OPTION PLANS

The Company has stock option plans (hereafter referred to as the EOP Plans) under which officers, key employees and, starting in 1990, non-employee directors may be granted options to purchase shares of the Company's authorized but unissued Common Stock. The Company also has an Executive Long-Term Stock Option Plan (ELTSOP) under which certain key executive officers may be granted options to purchase shares of the Company's authorized but unissued Common Stock. Under both the EOP and ELTSOP plans, the option purchase price is not less than the fair market value at date of grant.

Options currently expire no later than ten years from date of grant. Proceeds realized by the Company as a result of transactions in these plans are credited to stockholders' equity. Income tax benefits are credited to capital in excess of par value only in those years in which the Company can realize the benefits and, therefore, 1987 and 1986 tax benefits of \$17.9 million and \$4.3 million, respectively, have been credited to capital in excess of par value in 1988.

In January 1990, 20 million additional shares were reserved by the Board of Directors for issuance under an EOP Plan and approved by stockholders in May 1990. Additional information with respect to EOP plans is as follows:

(In thousands)	Shares Available For Options	Outstanding Options	
		Number of Shares	Aggregate Price
December 26, 1987	14,235	18,611	\$281,123
Options granted	(4,056)	4,056	122,057
Options exercised	—	(2,206)	(23,167)
Options canceled	1,091	(1,091)	(20,340)
December 31, 1988	11,270	19,370	359,673
Options granted	(3,861)	3,861	108,622
Options exercised	—	(2,574)	(31,888)
Options canceled	1,085	(1,085)	(23,457)
Options lapsed under expired plans	(3,512)	—	—
Options canceled under expired plans	(158)	—	—
December 30, 1989	4,824	19,572	412,950
Additional shares reserved	20,000	—	—
Options granted	(3,958)	3,958	153,432
Options exercised	—	(2,864)	(41,985)
Options canceled	763	(763)	(19,907)
Options canceled under expired plans	(12)	—	—
December 29, 1990	21,617	19,903	\$504,490
Options exercisable at:			
December 31, 1988		5,567	\$ 68,833
December 30, 1989		5,748	\$ 82,702
December 29, 1990		5,697	\$ 89,874

The average exercise price for options outstanding at December 29, 1990 was \$25.35 while the range of individual exercise prices was \$7.04 to \$47.88. Individual options outstanding at that date will expire if not exercised at specific dates ranging from January 1991 to December 2000. The range of exercise prices for options exercised during the three year period ended December 29, 1990 was \$5.17 to \$37.25.

Additional information with respect to the ELTSOP Plan is as follows:

In 1989, 5.0 million shares were reserved for issuance and 2.0 million shares with an aggregate option price of \$58.7 million were granted. As of December 29, 1990, all 2.0 million shares remained outstanding. There were no grants, cancellations or exercises during 1990 or prior to 1989. The average exercise price for options outstanding at December 29, 1990 was \$29.37 while the range of individual exercise prices was \$29.25 to \$29.38. Individual options outstanding at that date will expire if not exercised at specific dates ranging from April 1999 to August 1999.

STOCK PARTICIPATION PLAN

Under this plan, qualified employees are entitled to purchase shares of the Company's Common Stock at 85% of the fair market value at certain specified dates. Of the 19.5 million shares authorized to be issued under this plan, as amended, 2.3 million shares are available for issuance at December 29, 1990. In January 1991, an additional 10 million shares were reserved by the Board of Directors for issuance under this plan, subject to stockholder approval. Employees purchased 1.4 million shares in 1990 (1.4 million and 1.2 million in 1989 and 1988, respectively) for \$39.3 million (\$32.1 million and \$26.5 million in 1989 and 1988, respectively).

RETIREMENT PLANS

Effective July 1, 1979 and January 1, 1988, the Company adopted profit sharing retirement plans for the benefit of qualified employees in the U.S. and Puerto Rico, respectively. The plans are designed to provide employees with an accumulation of funds at retirement and provide for annual discretionary contributions to trust funds. \$123.3 million was accrued under these profit sharing retirement plans in 1990 (\$54.0 million in 1989 and \$69.1 million in 1988).

Contributions made by the Company generally vest ratably over a five year period (based on length of service) starting in the third year of service (certain portions vested immediately).

Effective January 1, 1988, the Company adopted defined benefit pension plans for the benefit of qualified employees in the U.S. and Puerto Rico. The plans provide for minimum pension benefits which are determined by a participant's years of service credited under the plan, final average compensation (taking into account the participant's social security wage base), and the value of the Company's contributions, plus earnings, in the profit sharing retirement plan. If the balance in the profit sharing retirement plan

exceeds the pension guarantee, the participant will receive benefits from the profit sharing retirement plan only. The Company's funding policy is consistent with the funding requirements of Federal laws and regulations.

The Company adopted FAS No. 87, "Employers' Accounting for Pensions" for its U.S. and Puerto Rico defined benefit plans in 1988.

Pension expense for 1990, 1989 and 1988 for the U.S. and Puerto Rico plans included the following components:

(In thousands)	1990	1989	1988
Service cost-benefits earned during the year	\$1,017	\$1,134	\$1,122
Interest cost of projected benefit obligation	649	715	646
Actual investment return on plan assets	44	(239)	(2)
Net amortization and deferral	(99)	525	435
Net pension expense	\$1,611	\$2,135	\$2,201

The funded status of the plans as of December 29, 1990 and December 30, 1989 is as follows:

(In thousands)	1990	1989
Vested benefit obligation	\$ (881)	\$ (853)
Accumulated benefit obligation	\$ (1,206)	\$ (1,126)
Projected benefit obligation	\$(9,241)	\$(10,254)
Fair market value of plan assets	3,245	3,212
Projected benefit obligation in excess of plan assets	(5,996)	(7,042)
Unrecognized net (gain)	(4,077)	(1,953)
Unrecognized prior service cost	7,057	7,547
Accrued pension costs	\$ (3,016)	\$ (1,448)

The assumptions used to measure net periodic pension cost for these defined benefit plans were as follows:

	1990	1989	1988
Discount rate	8.5%	8.5%	8.5%
Expected long-term return on assets	8.5%	8.5%	8.5%
Average increase in compensation levels	5.5%	5.5%	5.5%

Plan assets of the U.S. and Puerto Rico plans consist primarily of listed stocks and bonds.

Effective January 1, 1989, the Company adopted FAS No. 87 for its foreign defined benefit plans. The Company's funding

policy is consistent with the local requirements in each country. Pension expense for 1990 and 1989 for the foreign plans included the following:

(In thousands)	1990	1989
Service cost-benefits		
earned during the year	\$4,420	\$3,946
Interest cost of projected benefit obligation	2,919	2,342
Actual investment return on plan assets	(2,462)	(2,198)
Net amortization and deferral	(489)	48
Net pension expense	\$4,388	\$4,138

The funded status of the foreign defined benefit plans as of December 29, 1990 and December 30, 1989 is set forth in the following tables:

1990 (In thousands)	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Vested benefit obligation	\$ (13,828)	\$ (349)
Accumulated benefit obligation	\$ (14,749)	\$ (3,193)
Projected benefit obligation	\$(23,106)	\$(6,455)
Fair market value of plan assets	22,011	1,685
Projected benefit obligation in excess of plan assets	(1,095)	(4,770)
Unrecognized net (gain) loss	586	(167)
Unrecognized net transition obligation	35	831
Accrued pension costs	\$ (474)	\$ (4,106)

1989 (In thousands)	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Vested benefit obligation	\$ (11,459)	\$ (280)
Accumulated benefit obligation	\$ (12,203)	\$ (2,560)
Projected benefit obligation	\$(18,742)	\$(5,209)
Fair market value of plan assets	17,948	1,155
Projected benefit obligation in excess of plan assets	(794)	(4,054)
Unrecognized net (gain) loss	7	(66)
Unrecognized net transition (asset) obligation	(12)	867
Accrued pension costs	\$ (799)	\$ (3,253)

Assumptions used to measure the foreign net periodic pension costs were as follows:

	1990	1989
Discount rate	5.5% - 24%	5.5% - 24%
Expected long-term return on assets	5.5% - 24%	5.5% - 24%
Average increase in compensation levels	4.5% - 18%	4.5% - 18%

Plan assets of the foreign plans consist primarily of listed stocks, bonds, and cash surrender value life insurance policies.

OTHER POSTRETIREMENT BENEFITS

In December 1990, the Financial Accounting Standards Board issued FAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" to be implemented for years beginning after December 15, 1992. As of December 29, 1990, the Company does not offer these types of benefits and, therefore, does not expect to be impacted by the implementation of this statement.

Commitments

The Company leases a portion of its capital equipment and certain of its facilities under operating leases which expire at various dates through 2009. Rental expense was \$52.1 million in 1990, \$47.1 million in 1989, and \$40.1 million in 1988. Minimum rental commitments under all non-cancelable leases with an initial term in excess of one year are payable as follows: 1991-\$35.4 million; 1992-\$22.3 million; 1993-\$7.5 million; 1994-\$3.1 million; 1995-\$1.7 million; 1996 and beyond-\$1.2 million. Commitments for construction or purchase of property, plant and equipment approximated \$430 million at December 29, 1990.

Financial inducements have been provided to the Company to construct and equip certain manufacturing facilities within foreign countries. In connection with these inducements, the Company has agreed to continue operating its facilities within these countries and, in one country, to maintain certain minimum employment levels.

Contingencies

In 1987, the Company was served with a demand for arbitration by Advanced Micro Devices Incorporated (AMD) under which AMD alleged that the Company had breached specific provisions of a technology exchange agreement between the parties and had committed other such acts allegedly injurious to AMD. AMD's original demand sought monetary damages of \$1 billion as direct and consequential damages or, alternatively, \$100 million as direct

damages, and other specific relief the arbitrator may deem appropriate. In addition, AMD has asked the arbitrator to order transfer of certain product technology to AMD. The Company has also made certain counterclaims against AMD.

In 1989, the arbitrator issued an initial written decision on one product claim. On October 11, 1990, the arbitrator issued a decision which resolved all remaining liability issues. Neither decision required Intel to transfer the 386™ microprocessor, the 8087 math coprocessor or any other product to AMD. The decisions did state Intel breached the contract by failing to fulfill covenants of good faith and fair dealing in its relationship with AMD and by failing to transfer the 8087 and timely updates to the 80286. Further hearings will be held to determine remedies which the arbitrator said may include monetary damage awards and product transfers. The remedies ruling by the arbitrator is not expected until later in 1991. On October 31, 1990, Intel filed a petition in Santa Clara County, California, Superior Court to determine the enforceability of a clause in the contract which limits damages. On November 20, 1990, the Superior Court issued its decision that a ruling on such limitation was not appropriate at this time. Intel appealed this ruling to the California Court of Appeals which affirmed the Superior Court holding. Intel has now appealed the decision of the Court of Appeals to the California Supreme Court. The ultimate outcome of these matters cannot be determined at this time. Management, including internal counsel does not believe that the outcome will have a material adverse effect on the Company's financial position.

The Company is a defendant in a lawsuit filed by Hughes Aircraft Corporation (Hughes) in a U.S. Federal Court in 1983. The suit alleges that the Company willfully infringed and continued to infringe three patents relating to ion implantation, and asked for damages and an injunction against further infringements. On June 22, 1990, the Company was notified that one of the three patents had been dropped from the suit. Of the two remaining patents on which Hughes alleges infringement, one expired in October 1986, the other expired in October 1988. Upon expiration of the patent in October 1988, the possibility of an injunction has been eliminated.

Pretrial documents presented by Hughes in July 1990 seek monetary damages of \$165 million if they prevail on both remaining patents and all processes using those patents. In addition, Hughes seeks prejudgment interest and treble damages for the alleged willful infringement.

The Company continues to believe it has several meritorious defenses to the lawsuit and is contesting the lawsuit vigorously. The

trial is not expected to begin until late first quarter 1991. The ultimate outcome of this matter cannot be determined at this time. Management, including internal counsel, does not believe that the outcome will have a material adverse effect on the Company's financial position.

The Company has been named to the California and Federal Superfund lists for three of its sites and has completed, along with two other companies, a Remedial Investigation/Feasibility Study with the Federal Environmental Protection Agency (EPA) to evaluate the ground water in a certain area related to one of its sites. The Company has reached agreement in principle with those same two companies which significantly limits the Company's liabilities under the proposed cleanup plan. In addition, the Company has done extensive cleanup and studies of its sites. Management, including internal counsel, does not believe that the outcome will have a material adverse effect on the Company's financial position.

Industry Segment Reporting

Intel and its subsidiaries operate in one dominant industry segment. The Company is engaged principally in the design, development, manufacture and sale of microcomputer components and related products at various levels of integration. No one customer accounted for more than 10% of revenues in 1990. In 1989 and 1988, sales to one significant customer accounted for approximately 10.5% and 12%, respectively, of Intel's revenues. Major operations outside the United States include manufacturing facilities in Ireland, Israel, Malaysia, the Philippines and Singapore, and sales subsidiaries in Japan and throughout Europe and other parts of the world. Summary balance sheet information for operations outside of the United States at fiscal year-ends is as follows:

(In thousands)	1990	1989
Total assets	\$931,495	\$742,302
Total liabilities	\$300,638	\$243,028
Net property, plant and equipment	\$301,075	\$221,031

Note: Certain 1989 amounts have been restated to conform to the 1990 presentation.

Geographic information for the three years ended December 29, 1990 is presented in the table that follows. Transfers between geographic areas are accounted for at amounts which are

generally above cost and consistent with rules and regulations of governing tax authorities. Such transfers are eliminated in the consolidated financial statements. Operating income by geographic segment does not include an allocation of general corporate

expenses. Identifiable assets are those assets that can be directly associated with a particular geographic area. Corporate assets include cash and cash equivalents, short-term investments, prepaid taxes on income, other current assets, and long-term investments.

(In thousands)	Sales to unaffiliated customers	Transfers between geographic areas	Net revenues	Operating income	Identifiable assets
1990					
United States	\$2,115,957	\$1,202,272	\$3,318,229	\$788,363	\$2,494,462
Europe	865,544	17,602	883,146	112,456	363,214
Japan	400,167	8,779	408,946	28,759	259,065
Asia-Pacific	539,054	268,748	807,802	129,297	194,689
Other	552	215,630	216,182	92,856	114,527
Eliminations	—	(1,713,031)	(1,713,031)	(11,905)	(517,772)
Corporate	—	—	—	(281,491)	2,468,123
Consolidated	\$3,921,274	\$ —	\$3,921,274	\$858,335	\$5,376,308
1989					
United States	\$1,774,585	\$997,935	\$2,772,520	\$414,272	\$2,058,820
Europe	690,703	6,908	697,611	104,954	270,204
Japan	340,820	16,338	357,158	33,014	199,170
Asia-Pacific	319,723	225,287	545,010	104,109	178,330
Other	1,002	175,052	176,054	75,433	94,598
Eliminations	—	(1,421,520)	(1,421,520)	25,293	(420,589)
Corporate	—	—	—	(199,761)	1,613,450
Consolidated	\$3,126,833	\$ —	\$3,126,833	\$557,314	\$3,993,983
1988					
United States	\$1,640,216	\$925,564	\$2,565,780	\$499,885	\$1,606,974
Europe	678,514	15,023	693,537	107,413	277,059
Japan	325,864	7,173	333,037	39,433	227,471
Asia-Pacific	228,957	227,413	456,370	101,973	173,579
Other	1,218	139,379	140,597	41,620	98,986
Eliminations	—	(1,314,552)	(1,314,552)	(11,109)	(190,063)
Corporate	—	—	—	(184,902)	1,355,730
Consolidated	\$2,874,769	\$ —	\$2,874,769	\$594,313	\$3,549,736

Note: Certain 1989 and 1988 amounts have been reclassified to conform to the 1990 presentation.

Supplemental Information (unaudited)

Quarterly information for each of the two years in the period ended December 29, 1990 is presented on page 31.

**The Board of Directors and Stockholders
Intel Corporation**

We have audited the accompanying consolidated balance sheets of Intel Corporation as of December 29, 1990 and December 30, 1989, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 29, 1990. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant

estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Intel Corporation at December 29, 1990 and December 30, 1989, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 29, 1990 in conformity with generally accepted accounting principles.

San Jose, California
January 16, 1991

Ernst & Young

FINANCIAL SUMMARY
INTEL CORPORATION

Ten Years Ended December 29, 1990	Net Investment in Property, Plant & Equipment	Total Assets	Long-Term Debt	Stockholders' Equity	Proceeds from Employee Stock Plans & Tax Benefits	Additions to Property, Plant & Equipment
(In thousands)						
1990	\$1,657,568	\$5,376,308	\$344,605	\$3,591,506	\$101,392	\$679,546
1989	\$1,284,050	\$3,993,983	\$412,480	\$2,548,803	\$ 77,728	\$422,102
1988	\$1,122,459	\$3,549,736	\$479,273	\$2,080,054	\$ 82,094	\$477,460
1987	\$ 891,196	\$2,498,784	\$298,062	\$1,276,425	\$ 54,293	\$301,530
1986	\$ 779,321	\$1,977,352	\$286,600	\$1,245,227	\$ 26,911	\$154,827
1985	\$ 848,246	\$2,152,774	\$270,831	\$1,421,481	\$ 32,612	\$236,216
1984	\$ 778,282	\$2,029,399	\$146,306	\$1,360,163	\$ 37,236	\$388,445
1983	\$ 503,592	\$1,679,650	\$127,586	\$1,121,740	\$ 56,780	\$144,974
1982	\$ 461,625	\$1,056,452	\$197,143	\$ 551,853	\$ 33,990	\$138,085
1981	\$ 411,747	\$ 871,517	\$150,000	\$ 487,817	\$ 27,598	\$157,426

	Net Revenues	Cost of Sales	Research & Development	Operating Income (Loss)	Net Income (Loss)	
					Total	Per Share
(In thousands — except per share amounts)						
1990	\$3,921,274	\$1,930,288	\$516,747	\$858,335	\$650,261	\$3.20
1989	\$3,126,833	\$1,720,979	\$365,104	\$557,314	\$391,021	\$2.07
1988	\$2,874,769	\$1,505,925	\$318,331	\$594,313	\$452,922	\$2.51
1987	\$1,907,105	\$1,043,504	\$259,794	\$245,936	\$248,055	\$1.38
1986	\$1,265,011	\$860,680	\$228,250	\$(195,259)	*(203,165)	*(1.16)
1985	\$1,364,982	\$943,435	\$195,171	\$(60,169)	\$1,570	\$.01
1984	\$1,629,332	\$882,738	\$180,168	\$250,450	\$198,189	\$1.13
1983	\$1,121,943	\$624,296	\$142,295	\$138,717	\$116,111	\$.70
1982	\$899,812	\$541,928	\$130,801	\$28,443	\$30,046	\$.22
1981	\$788,676	\$458,308	\$116,496	\$29,579	\$27,359	\$.20

*The 1986 net loss includes \$30 million loss (\$.17 per share) for the cumulative effect of a change in accounting principle for the adoption of FAS No. 96 and an extraordinary gain of \$10.1 million (\$.06 per share) on debt repayment.

**MANAGEMENT'S DISCUSSION
AND ANALYSIS OF THE FINANCIAL SUMMARY
INTEL CORPORATION**

Results of Operations

Intel had an outstanding year in 1990, as both net revenues and net income posted substantial gains over previous records. 1990 revenue of \$3.9 billion was a 25% increase over the previous record set in 1989 and the fourth consecutive year of revenue increases; 1990 revenues increased 36% from the 1988 level. Intel's high-performance proprietary components, and systems based on these products, experienced strong unit growth throughout the periods. The associated revenue growth was moderated by lower average selling prices following a normal product maturity/pricing trend. Across Intel's other products, the overall revenue trend continued upward, while the product-by-product results were mixed. Additionally, revenue from technology and patent licensing agreements increased in 1990 over 1989 and 1988.

Gross margin in 1990 was 51% compared to 45% in 1989 and 48% in 1988. The higher gross margin percentage in 1990 was the result of changes in product mix to a larger proportion of higher margin proprietary products, lower product costs, and the increased licensing revenue noted above. The cost improvement is due to higher volumes, continued containment of overhead expenses and ongoing improvement of manufacturing yields. Additionally, in 1989 the Company recorded approximately \$44 million in cost of sales, which related to the planned closure of two of the Company's older wafer fabrication plants. Proprietary microprocessors and related microprocessor peripherals comprised a significant portion of revenue and an even larger portion of gross margin during each of the three years ended December 29, 1990.

Operating income of \$858 million in 1990 established a new record posting a 54% gain over 1989 and a 44% gain over 1988 levels. Research and development and marketing and administrative expenses of \$1.1 billion increased 33% over 1989 and 46% over 1988 levels, due to increased business levels, investments in strategic programs and increased costs from profit-dependent compensation and benefit programs. Research and development expenses as a percentage of revenues increased to 13.2% in 1990 from 11.7% and 11.1% for 1989 and 1988 respectively, primarily as a result of continued investment in strategic programs. Intel's new submicron development facility in Santa Clara, California, which began operating in 1990, contributed to the increase in research and development expenses. We continue to believe that high investment in research and development is necessary for the Company to remain competitive and provide the flow of new products necessary to meet the continuing demands of the marketplace.

Marketing and administrative expenses of \$616 million increased 27% and 35% over 1989 and 1988, respectively, consistent with the growth in business levels. Marketing and administrative expenses were 15.7% percent of revenue, which was essentially unchanged from the 15.5% and 15.9% recorded for 1989 and 1988, respectively.

Interest expense of \$99 million in 1990 increased \$3 million from 1989 and \$23 million from 1988, due to a higher average balance of interest-bearing liabilities which was partially offset by lower average rates. Interest income and other of \$227 million is up \$105 million over 1989 and \$116 million over 1988. These increases are due primarily to increased interest income generated from significantly higher investment balances, and gains on the sales of an investment and land. In the case of the increase from 1989, additional factors are the absence of a \$35 million charge to cover costs associated with exiting a joint venture and the absence of losses from that joint venture.

The 1990 tax rate of 34% is essentially consistent with the 1989 tax rate of 33%. The 1990 and 1989 rates are higher than the 1988 tax rate of 28%, as 1988 benefited from deferred tax charges expensed (under FAS No. 96) in prior periods and because the percentage impact of tax credits is lower in 1990 and 1989 due to higher pretax profits in those years.

Outlook

While setting record financial results, 1990 brought a new set of uncertainties and challenges. First, the tentativeness of the general economic climate and the possibility of a slowing rate of growth in the personal computer market make the near-term trend of operating results less predictable.

Secondly, in 1990, imitations of some of Intel's formerly proprietary products were announced, including the 386™ microprocessor and the 287™ and 387™ math coprocessors and, in some instances, were shipped. The impact of these imitations on Intel's future financial performance cannot be ascertained. However, market acceptance of these imitations could hurt revenue growth and decrease margins for Intel. Intel takes appropriate legal action against companies which it believes infringe upon its intellectual property. For example, in 1990, Intel filed suit against AMD for copyright infringement of the Intel 287 math coprocessor microcode. AMD contends it is licensed to copy and distribute Intel's microcode. If AMD were to prevail in its right to copy and distribute Intel

microcode (rather than having to develop its own microcode independently), AMD might be able to develop products which more closely imitate similar Intel proprietary products such as the 386 and 486™ microprocessors and the 387 math coprocessor. Any such right could include microcode published by Intel prior to December 31, 1995.

Additionally, Intel is party to various other legal matters. (See Contingencies). Although the Company continues to contest these matters vigorously, an adverse judgement could negatively impact any particular future fiscal period's results of operations and cash flow.

Finally, Intel has production facilities in Israel that make a portion of our proprietary products, including microprocessors. Given the current political situation, management is taking actions to mitigate the negative impact on profitability that would be caused by a disruption of supply from Israel.

Financial Condition

Intel's financial condition, which was strong at the end of 1989, improved further during 1990. As of December 29, 1990 total cash and cash equivalents and short-term and long-term investments were \$2.3 billion, an increase of \$749 million from December 30, 1989, primarily due to strong operating results and proceeds from the exercises of warrants.

Net cash generated by operations during 1990 totaled \$1,018 million of which \$943 million was from net income plus noncash depreciation and \$292 million was a net increase in accrued compensation and benefits, taxes payable and other current liabilities. Accounts receivable increased \$141 million primarily as a result of the increased business levels.

Net cash used for investing activities totaled \$879 million during 1990, of which \$680 million was invested in property, plant and equipment. This investment was a substantial increase over the

comparable prior periods, largely due to the addition of manufacturing facilities worldwide. As of December 29, 1990 approximately \$430 million of additional funds have been committed for expenditures in future periods, which includes expenditures for manufacturing, office and laboratory facilities. The Company plans to continue to make substantial investments in property, plant and equipment to support continued growth, particularly in products based on new technologies.

Net cash provided by financing activities totaled \$417 million in 1990. Major factors of the increase were proceeds from the exercise of the 1992 and 1995 warrants of approximately \$393 million and proceeds from sales of stock to employees of approximately \$80 million. Offsetting these increases was \$102 million used for the repurchase of Intel's Common Stock under a program authorized by the Board of Directors in August 1990. Under this program management is authorized to purchase an additional 16.8 million shares of the Company's Common Stock in open market or negotiated transactions; there is no specific date to complete the purchases.

In addition to the \$2.3 billion in cash and investments, the Company's sources of liquidity include foreign and domestic lines of credit totaling approximately \$900 million and domestic and Euro commercial paper programs under which it is authorized to borrow up to \$700 million. As of December 29, 1990 the Company had short-term borrowings outstanding of \$124 million under the lines of credit and \$32 million outstanding under the commercial paper programs. Additionally, the Company has the ability to issue up to \$150 million of debt securities and up to 2 million foreign currency exchange warrants under a shelf registration statement filed with the Securities and Exchange Commission in 1988. Cash and investments, together with the lines of credit and commercial paper programs, enable the Company to continue spending for strategic programs, research and development and capital investment.

FINANCIAL INFORMATION BY QUARTER (UNAUDITED)

INTEL CORPORATION

For Quarter Ended		December 29	September 29	June 30	March 31
(In thousands — except per share data)					
1990					
Net revenues		\$1,046,075	\$1,012,441	\$968,301	\$894,457
Cost of sales		\$ 535,691	\$ 486,409	\$468,989	\$439,199
Net income		\$ 163,876	\$ 171,924	\$170,693	\$143,768
Earnings per share		\$.80	\$.83	\$.84	\$.73
Market price range Common Stock ^(A)	High	\$ 40.00	\$ 51.25	\$ 48.63	\$ 43.50
	Low	\$ 29.13	\$ 31.25	\$ 39.00	\$ 35.00
Market price range 1995 Warrants ^(B)	High	\$ —	\$ —	\$ 24.00	\$ 25.25
	Low	\$ —	\$ —	\$ 22.00	\$ 16.00
Market price range 1992 Warrants ^(B)	High	\$ —	\$ 31.63	\$ 28.25	\$ 21.38
	Low	\$ —	\$ 24.63	\$ 17.13	\$ 12.88

For Quarter Ended		December 30	September 30	July 1	April 1
(In thousands — except per share data)					
1989					
Net revenues		\$894,975	\$771,438	\$747,337	\$713,083
Cost of sales		\$488,861 ^(C)	\$434,865	\$408,585 ^(C)	\$388,668
Net income		\$122,700	\$ 71,998 ^(D)	\$ 99,319	\$ 97,004
Earnings per share		\$.64	\$.38 ^(D)	\$.53	\$.52
Market price range Common Stock ^(A)	High	\$ 35.75	\$ 33.00	\$ 33.25	\$ 27.75
	Low	\$ 29.75	\$ 28.25	\$ 25.33	\$ 23.25
Market price range 1995 Warrants ^(B)	High	\$ 16.75	\$ 14.88	\$ 15.33	\$ 11.00
	Low	\$ 13.13	\$ 11.88	\$ 10.63	\$ 9.75
Market price range 1992 Warrants ^(B)	High	\$ 13.50	\$ 11.63	\$ 12.13	\$ 10.00
	Low	\$ 10.13	\$ 9.50	\$ 9.25	\$ 9.00

(A) Intel's Common Stock is traded in the over-the-counter market and quoted on NASDAQ and in the Wall Street Journal and other newspapers. Intel's Common Stock trades on the Zurich, Basle and Geneva, Switzerland exchanges. There were approximately 21,085 stockholders of record at December 29, 1990. All Common Stock prices are closing prices per the NASDAQ/National Market System. Intel has never paid cash dividends and has no present plans to do so.

(B) Intel's warrants were traded in the over-the-counter market and quoted on NASDAQ and in the Wall Street Journal and other newspapers. Prices for the 1995 Warrants and 1992 Warrants are given only through the last day they were traded (April 17, 1990 and July 18, 1990, respectively) prior to their exercise or expiration. All warrant prices are closing prices per the NASDAQ/National Market System.

(C) Cost of sales for the quarter ended July 1 and December 30, 1989 includes \$17 million and \$27 million, respectively, related to costs associated with the planned closure of wafer fabrication facilities.

(D) Net income for the quarter ended September 30, 1989 includes the effect of a \$35 million pretax charge for the costs associated with exiting a joint venture.

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Supercomputer Systems Division

RICHARD B. WIRT
Director of Systems Software
Micro Products Group

LEO D. YAU
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Stockholder Information

FORM 10-K
The Corporation's "Form 10K" will
be filed with the Securities and
Exchange Commission on March 29,
1991 for the 1990 year. If you would
like to receive, without charge, a
copy of this report, you may contact:

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regarding transfer or ownership of
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San Jose, CA

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